



# Electronic Business Transactions

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ACH Credit

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**Introduction.** The Massachusetts Department of Revenue (DOR) administers a program to accept state tax payments through Electronic Funds Transfer (EFT). EFT reduces both the time and expense involved in generating and handling paper checks and allows for quicker and more accurate tax payments.

For the Massachusetts EFT program, DOR is employing the Automated Clearing House (ACH) credit transaction method. This is a national standard established by the banking industry (National Automated Clearing House Association) for the electronic transfer of funds between banks using the ACH network. Use of this nationally accepted standard makes it easier for taxpayers to implement EFT without a significant up-front investment. When the programming is in place, use of EFT not only will comply with the Massachusetts program but also with the EFT programs of the federal government and other states where you may be doing business.

The information contained in this handbook is designed to provide you with specific information on DOR's EFT program. Contents include participation guidelines, registration information, payment method, tax form filing requirements and standard file and record formats.

All EFT participants are eligible to file sales and use tax, meals tax, withholding tax, and sales on telecommunications tax returns through the Massachusetts Business Tele-file system. For more information, see page 4.

We hope you find this handbook a helpful resource

## Program Participation

**Mandatory participation for the following tax payments:**

- |   |   |
|---|---|
| • Payroll Withholding, Meals, Sales & Use, Sales on Telecommunications.         | Over \$10,000 combined                          |
| • Gasoline, Special Fuels, Jet Fuel, and Aviation Fuel                          | Over \$10,000                                   |
| • Corporate (foreign and domestic), Excises on Banks, Utilities, and Insurance. | Over \$100,000                                  |
| • Cigarette Tax.  | Stamps not purchased with cash over the counter |

## Registration

**How to register.** If you wish to register for ACH Credit call our Customer Service Unit at 617-887-6367 and you will be registered over the phone. You can download an [ACH Credit](#) application.

## Payment Method — Automated Clearing House (ACH) Credit

**Definition.** The ACH credit method allows you to transfer funds by instructing your financial institution (technically referred to as the "Originating Depository Financial Institution") to debit your account and to credit the Commonwealth's bank account. At this time, use of Fed Wire is not allowed. The ACH debit method, though, is available. Visit DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor) if you are interested in this method of payment.

**Cost.** You must pay the fees charged by your financial institution for any setup costs and for each ACH credit transaction initiated.

**Record formats.** In order to report your tax payment correctly, your financial institution must originate your payment using the Cash Concentration of Disbursement plus Tax Payment Addendum (CCD+TXP) format. This format is the standard format that has been adopted for tax payments by the National Automated Clearing House Association (NACHA). You should check with your financial institution to make sure it can transfer your tax payment using this record format.

**How to report a payment.** Contact your financial institution for specific procedures regarding reporting and transferring tax payments.

Before your financial institution is able to report your payment, you must provide it with the filing information required to complete the ACH CCD+TXP records, e.g., such as tax type, tax period, ending date and payment amount. To receive this information, you must file your EFT application and have it approved by DOR. You will be mailed an individualized sample of the "6 & 7" records of the EFT format, which includes our bank depository transit number and our designated account number. This sample will show you exactly how the record must be structured.

The EFT instructions and your individualized sample should be taken to your financial institution before submitting your first payment.

**When to report a payment.** EFT does not change any existing requirements of Massachusetts state tax law. To be considered timely, your tax payment must be deposited into the Commonwealth's bank account by the payment due date for the tax period. You must check with your financial institution to determine when you should originate your payment so that it will be deposited on time.

**Quality assurance test.** It is strongly recommended that your financial institution process a quality assurance test to validate the Commonwealth's routing/transit number and bank account number. The Quality Assurance test is a \$1 transaction processed at least 10 days prior to the initiation of your first EFT payment. DOR's FES should be notified at (617) 887-5020 prior to this transmission.

**Zero-dollar transactions.** If a \$0 payment is due, no transmission is required through the ACH network.

## Standard Procedures

Once a taxpayer is mandated to participate in DOR's EFT program for a particular tax type, all such payments by that taxpayer to DOR must be made through EFT.

**Payment due date.** Your payment due date will remain the same. To be considered timely, your EFT payment must be deposited into the state's account on or before the payment due date.

You should determine with your financial institution when to initiate your payment to ensure timely receipt by DOR.

**Corrections.** If an ACH credit payment was made in error, please contact your financial institution for its correction procedures. Do not attempt to reverse your transaction.

**Incorrect record formats.** If a taxpayer subject to EFT requirements remits a payment with an incorrect format, DOR may return the payment. A returned payment may result in it being late and subject to a late payment penalty per M.G.L. c. 62C, sec. 33. Continuous submissions with errors may result in a switch to the ACH debit method.

**Verification of timely payment.** Your financial institution should provide verification of transferred amounts and effective dates.

**Proof of payment.** If proof of payment is required, it is the taxpayer's responsibility to work with its financial institution to obtain verification that funds were transferred from the taxpayer's account into the Commonwealth's account. Your bank can supply you with a trace number that it generates for the ACH network.

**Refunds and reversals.** Current DOR procedures will be followed. Refunds will not be issued electronically through the ACH network. No reversals will be allowed except in cases permitted by ACH rules and regulations. In such cases, you are required to contact DOR's EFT Unit for permission.

## Filing Your Tax Forms

**Estimate voucher.** You should not submit a payment voucher when using EFT. It is important that you use the correct code for your tax payment. In looking at the EFT chart in Section 3, you will notice that there are different tax type codes for each tax. Please see page 8 for more information.

**Tax return.** In addition to the depository, monthly, or estimated payments remitted through EFT, a tax return must be submitted to DOR. The tax return must be filed with DOR by the specified due date. If an additional payment is due with the return, the payment must be made using EFT. Withholding, sales on telecommunications, meals and/or sales and use taxpayers should submit their returns via DOR's [Business Telefile](#) option or through [Webfile for Business](#).

**Tax return telefile option.** When you begin paying through EFT, you will be eligible to file withholding, meals, sales and use tax, and sales on telecommunications returns through a telephone call. Your Personal Identification Number (PIN) is noted on the detailed record layout cover letter sent to you when you register for EFT. The PIN, along with your Federal Identification number provides access to the Massachusetts Business Telefile system.

Tax returns filed via the Business Telefile system will be recorded against your account with an effective date of the telephone call. Telefile instructions completed after 4:00 p.m. (Eastern Standard Time) will be recorded with an effective date of the next business day.

Telefile worksheets for both withholding tax and sales & use tax are available on DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor).

## Mass-Debit Program

Starting January 1996, DOR began an ACH Debit program for payroll withholding, sales and use tax, meals tax, gasoline excise and other taxes. If you are interested in this option, go to [Webfile for Business](#).

## Glossary of Terms

**Automated Clearing House (ACH):** Any entity that operates as a clearing house for electronic debit or credit entries pursuant to an agreement with an association that is a member of the National Automated Clearing House Association.

**ACH credit:** The ACH credit is a method by which money is transferred electronically through the Automated Clearing House (ACH) network. An ACH credit transaction is one in which the taxpayer, through its bank, originates an entry crediting the Commonwealth's designated bank account and debits its own bank account for the amount of the tax payment.

**ACH debit:** An ACH debit transaction is one in which the taxpayer, through the Commonwealth of Massachusetts financial agent, initiates an entry by telephone crediting the Commonwealth's designated bank account and debiting its own account for the amount of the tax payment.

**Cash Concentration of Disbursement Plus Addenda (CCD+):** A standard National Automated Clearing House Association data format used to make ACH credit/debit transactions. The CCD+ format combines the widely used CCD format with a single addendum record that can carry 80 characters of payment-related data known as the TXP.

**Data collector:** Also known as third-party vendor, the data collector is the party responsible for the collection of taxpayer information for the purpose of initiating an ACH transaction. Taxpayers may report information to the data collector by means of voice mail, touch-tone telephone, personal computer, terminal or mainframe computer.

**Electronic Funds Transfer (EFT):** EFT refers to any transfer of funds, other than a transaction originated by check, draft or similar paper instrument, that is initiated through an electronic terminal, telecommunications instrument, computer or magnetic tape, to order, instruct or authorize a financial institution to debit or credit an account.

**Federal Reserve Bank (FRB):** The central banking system of the United States, consisting of twelve regional reserve banks and member depository institutions that are subject to Reserve requirements.

**National Automated Clearing House Association (NACHA):** The organization that establishes the standards, rules and procedures that enable depository financial institutions to exchange ACH payments on a national basis.

**Originating Depository Financial Institution (ODFI):** The organization that originates ACH entries at the request of and by agreement with its customers. ODFIs must abide by the provisions of the NACHA Operating Rules and Guidelines.

**Pre-note test:** A pre-notification (pre-note) test is a zero-dollar entry sent through the ACH network to verify banking information. A pre-note test must be done at least 10 calendar days before EFT payments begin. A Quality Assurance Test of \$1 is preferred as noted on page 4.

**Settlement date:** The date an exchange of funds, with respect to an entry, is reflected on the books of the Federal Reserve Bank.

**Tax payment (TXP):** The banking convention record format that contains the data format, contents and implementation suggestions for taxpayers to pay state taxes through the Automated Clearing House under the ACH credit method. This convention is to be used with the NACHA CCD+ format and is used in the majority of states using EFT for tax collections. The format is carried in the 80-character free form field of the addendum record. The TXP convention has been developed with input from corporate trade associations, state representatives and federal government agency representatives. The TXP convention is a result of the joint efforts of the Federation of Tax Administrators, the Committee on State Taxation and the Bankers Electronic Data Interchange (EDI) Council.

## Section 2: File, Batch, Transaction and Addendum Record Formats for ACH Credit Transaction Method Tax Payments

The following pages describe the data contained in the Entry Detail and TXP Addendum Records. For complete information on NACHA formats, specifications and definitions, please refer to the NACHA Rule Book. You may obtain a copy of the Rule Book from your financial institution or from the New England ACH Association at (617) 338-6370. A charge may be required.

### CCD+Entry Detail Record Format

Field	Position	Size	Contents	Data element name
1 1–1	1	“6”	Record type code	
2 2–3	2	Numeric	Transaction code	
3 4–11	8	Numeric	Receiving bank transit number	
4 12–12	1	Numeric	Receiving bank transit number check digit	
5 13–29	17	Alphanumeric	Receiving bank account number	
6 30–39	10	\$\$\$\$\$\$\$cc	Amount	
7 40–54	15	Alphanumeric	Taxpayer Identification number	
8 55–76	22	Alphanumeric	Taxpayer name	
9 77–78	2	Alphanumeric	Discretionary data	
10 79–79	1	Numeric	Addenda record indicator	
11 80–94	15	Numeric	Trace number	

**Record type code.** This entry always will be 6.

**Transaction code.** This code indicates whether the transaction is a debit or a credit and whether payment is coming from a checking or a savings account.

**Receiving bank transit number.** This nine-digit number identifies each bank. The first eight digits go in this field with the ninth going in the next field (Transit # Check Digit). The Receiving Bank Transit # will be supplied to you as part of the acceptance procedure into the EFT ACH program.

**Receiving bank account number.** This entry will be supplied by DOR. It identifies the bank to which EFT payments will be sent.

**Amount.** This entry is the amount to be posted to the recipient's account. It should be right justified and zero filled. Do not insert a decimal point; the last two bytes are assumed to be cents.

**Taxpayer Identification number.** This entry is an alphanumeric field that uniquely identifies the taxpayer that sent the payment. **Note:** This field must be from the tax return and include the Filing Entity Code. When you are accepted into the EFTACH program, you will be provided with the exact number that you should enter into this field. This number matches DOR files, and its use will facilitate proper handling of your payment.

**Taxpayer name.** This entry indicates the name of the taxpayer who is making the payment to the Receiving Bank Account # in Field 5. This name must be exactly as it appears on the tax return. When you are accepted into the EFTACH program, you will be provided with the exact name that you should enter in this field, along with the proper spacing, special characters and use or lack of punctuation that matches DOR files. Use of the exact name and format provided by DOR will facilitate the proper handling of your payment.

**Discretionary data.** This entry is optional. You may determine a code with your bank in order to identify a specific transaction.

**Addenda record indicator.** Always insert a 1, as there will be an addendum record with this transaction.

**Trace number.** This entry is a number put into the record by the originating/sending bank in order to trace the transaction through the system in case of error.

### Addendum Format for Tax Payments

Field	Position	Size	Contents	Data element name
1 1–1	1	“7”	Record type code	
2 2–3	2	“05”	Addenda type code	
3 4–6	3	“TXP”	Tax payment identification	
4 7–7	1	“*”	Field separator	
5 8–22	15	Alphanumeric	Taxpayer Identification number***	
6 23–23	1	“*”	Field separator	

7	24–28	5	Alphanumeric	Tax type code
8	29–29	1	“*”	Field separator
9	30–35	6	YYMMDD	Period end date
10	36–36	1	“*”	Field separator
11	37–37	1	“T”	Amount type
12	38–38	1	“*”	Field separator
13	39–48	10	\$\$\$\$\$\$\$cc	Payment amount
14	49–49	1	“*”	Field separator
15	50–50	1	“*”	Field separator
16	51–51	1	“*”	Field separator
17	52–52	1	“*”	Field separator
18	53–53	1	“*”	Field separator
19	54–59	6	Alphanumeric	Taxpayer name check
<b>20</b>	<b>60–60</b>	<b>1</b>	<b>“\”</b>	<b>Terminator</b>
21	61–83	23	Blanks	
22	84–87	4	Numeric	Special addenda sequence number
23	88–94	7	Numeric	Entry detail sequence number

**Record type code.** This entry always will be 7.

**Addenda type code.** This entry always will be 05.

**Tax payment identification.** This entry always will be TXP.

**Taxpayer Identification number.** This number should be from the tax return and include the Filing Entity Code. This number will be provided by DOR as part of the acceptance procedure into the EFTACH program. Its use will facilitate the proper handling of your payment.

**Tax type code.** This field should contain the code for your depository tax payment. **Note:** The exact code is provided by DOR as part of the acceptance procedure into the EFT ACH program and should be used exactly as given in order to facilitate the proper handling of your payment.

**Period end date.** This entry should contain the period end date from the tax return, using the year, month and last day of the month.

**Amount type.** This entry always will be T.

**Payment amount.** This entry should contain the amount of the payment exactly as it appears in the Detail Record Amount field.

**Taxpayer name check.** This entry should be the first six positions of the Taxpayer's Name field exactly as it appears on the tax return. This field will be provided with proper spacing, etc. from DOR as part of the acceptance procedure into the EFTACH program. It matches DOR files and should be used exactly as shown with proper spacing, etc. to facilitate the proper handling of your payment.

**Special addenda sequence number.** This number should be consecutively assigned to each special addenda record that follows a detail record.

**Entry detail sequence number.** This entry indicates the number of accounts included in the EFT transaction. It should be entered by the taxpayer or the sending bank.

## Tax Type Specifics

### Withholding Tax

**Tax type code:** 0166D

**Period end dates for payments:** When Massachusetts withholding is \$500 or more by the 7th, 15th, 22nd and last day of month, pay over within three business days.

**Tax return due date:** Last day of the month following the end of the calendar quarter.

**Frequency:** Weekly depository, quarterly filer

**Return:** M-941D, Telefile option available

**Mandate:** 1/1/04

**Dollar threshold:** \$10,000 combined annual amount for sales and use, sales on telecommunications, meals and state and local room occupancy.

**Tax type code:** 0166M

**Period end dates for payments:** 15 days after the close of the month except for March, June, September, and December. Those payments are due on the last day of the following month.

**Tax return due date:** 15 days after the close of the month except for March, June, September, and December. Those payments are due on the last day of the following month.

**Frequency:** Monthly

**Return:** M-942

**Mandate:** 1/1/04

**Dollar threshold:** \$10,000 combined annual amount for sales and use, sales on telecommunications, meals and state and local room occupancy.

### Sales and Use Tax on Goods

**Tax type code:** 0137M

**Period end dates for payments:** Last day of the month.

**Tax return due date:** 20th day of the month following the period end date.

**Frequency:** Monthly filer

**Return:** ST-9, Telefile option available

**Mandate:** 1/1/04

**Dollar threshold:** See withholding

### Sales Tax on Telecommunications

**Tax type code:** 0136M

**Period end dates for payments:** Last day of the month.

**Tax return due date:** 20th day of the month following the period end date.

**Frequency:** Monthly filer

**Return:** STS

**Mandate:** 1/1/04

**Dollar threshold:** See withholding

### Meals Tax

**Tax type code:** 0138M

**Period end dates for payments:** Last day of the month.

**Tax return due date:** 20th day of the month following the period end date.

**Frequency:** Monthly filer

**Return:** ST-MAB-4

**Mandate:** 1/1/04

**Dollar threshold:** See withholding

## **Corporate Excise Tax — Domestic**

**Tax type code:** 0167E

**Period end date for payments:** On or before the 15h day of the third, sixth, ninth and twelfth month of the taxable year.

**Tax return due date:** 15th day of the third month after the close of the taxable year, calendar or fiscal.

**Note:** If Fiscal Year (FY) does not coincide with calendar year, adjust accordingly.

**Frequency:** Quarterly depository, annual filer

**Payment coupon:** 355-ES eliminated

**Return:** Various

**Mandate:** 1/1/05

**Dollar threshold:** \$100,000

## **Corporate Excise Tax — Foreign**

**Tax type code:** 0168E

**Period end date for payments:** On or before the 15h day of the third, sixth, ninth and twelfth month of the taxable year.

**Tax return due date:** 15th day of the third month after the close of the taxable year, calendar or fiscal.

**Note:** If FY does not coincide with calendar year, adjust accordingly.

**Frequency:** Quarterly depository, annual filer

**Payment coupon:** 355-ES eliminated

**Return:** Various

**Mandate:** 1/1/05

**Dollar threshold:** \$100,000

## **Excise on Banks**

**Tax type codes:** 0132 (Other Financial Institution)

**Period end date for payments:** On or before the 15h day of the third, sixth, ninth and twelfth month of the taxable year.

**Tax return due date:** 15th day of the third month after the close of the taxable year, calendar or fiscal.

**Frequency:** Quarterly depository, annual filer

**Payment coupon:** 355-ES eliminated

**Return:** Various

**Mandate:** 1/1/05

**Dollar threshold:** \$100,000

## **Excise on Insurance**

**Tax type codes:** 0119E (Domestic/For Prem), 0120E (Foreign Life, A&H),

**Period end date for payments:** On or before the 15h day of the third, sixth, ninth and twelfth month of the taxable year.

**Tax return due date:** 15th day of the third month after the close of the taxable year, calendar or fiscal.

**Frequency:** Quarterly depository, annual filer

**Payment coupon:** 355-ES eliminated

**Return:** Various

**Mandate:** 1/1/05

**Dollar threshold:** \$100,000

## **Excise on Public Utilities**

**Tax type codes:** 0170E (Gas &Electric)

**Period end date for payments:** On or before the 15h day of the third, sixth, ninth and twelfth month of the taxable year.

**Tax return due date:** 15th day of the third month after the close of the taxable year, calendar or fiscal.

**Frequency:** Quarterly depository, annual filer

**Payment coupon:** 355-ES eliminated

**Return:** Various

**Mandate:** 1/1/05

**Dollar threshold:** \$100,000



## **Miscellaneous Excises**

**Tax type code:** 0112M (Gasoline), 0113M (Special Fuels), 0160M (Jet Fuel), 0212M (Aviation Gasoline)

**Period end dates for payments:** Last day of the month.

**Tax return due date:** 20th day of the month following the period end date.

**Frequency:** Monthly depository, monthly filer

**Return:** Various

**Pilot/mandate:** Mandate 9/1/03

**Dollar threshold:** \$10,000

### **Cigarette Tax:**

#### **Tax type code: 0108M**

All cigarette stampers appointed by the Commissioner to purchase and affix cigarette excise stamps must pay for these stamps via electronic transfer of funds. An exception to the electronic payment requirement will be made for stampers that pay for cigarette stamps at the time they pick up their stamps from the Department.

Stampers shall continue to file returns on paper.

**Mandate:** 9/1/03

### **Where to Call or Write**

For further information or assistance, please contact DOR's EFT Unit by phone at (617) 887-5020; by fax at (617) 887-5019; or visit our website at [www.mass.gov/dor](http://www.mass.gov/dor).

## **Holiday Schedule for Massachusetts Department of Revenue**

If a payment due date falls on a legal holiday or weekend, the tax payment must be received on the first business day after the holiday or weekend. Timely payments are based on the settlement date (the date on which the tax has been credited).

If your financial institution is closed on a day that you wish to initiate your transfer, you must contact it one day prior to the observed holiday.

Financial institution holidays in other states may vary from the holidays listed below. In some cases, specific banks may need 48 hours notice to initiate your transaction. This should be verified with your financial institution.

### **Holidays**

New Year's Day

Martin Luther King Day

Presidents' Day

Memorial Day

Independence Day

Labor Day

Columbus Day

Veterans Day

Thanksgiving Day

Christmas Day

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